

Message Text

CONFIDENTIAL

PAGE 01 LIMA 05828 182308Z

17

ACTION ARA-10

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TO SECSTATE WASHDC PRIORITY 5984

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TAGS: EINV, EMIN, JA, PE

SUBJECT: MARCONA NATIONALIZATION - THE JAPANESE CONNECTION

REF: A. TOKYO 9670; B. STATE 165400

1. GORDON FURTH, MARCONA VICE PRESIDENT, ACCOMPANIED BY OTHER MARCONA OFFICIALS, CALLED ON AMBASSADOR JULY 16 TO EXCHANGE VIEWS ON STATUS OF MARCONA NEGOTIATIONS. FURTH SAID HE WOULD BE SPENDING JULY 16-17 IN LIMA AND THAT EITHER HE OR LOCAL MARCONA REPRESENTATIVE WOULD LET US KNOW RESULTS OF THEIR CONTACTS WITH GOP OFFICIALS.

2. FURTH EXPLAINED THAT MARCONA BELIEVES PRINCIPAL CAUSE OF PERUVIAN "CHANGE OF MIND" ON MARCONA RESULTED FROM VISIT OF GROUP OF JAPANESE INDUSTRIALISTS TO PERU JULY 3-4, HEADED BY N. NAGANO, PRESIDENT OF JAPANESE CHAMBER OF COMMERCE. ACCORDING TO FURTH'S INFORMATION GOP OFFICIALS INTERPRETED ALLEGELY NONCOMMITAL STATEMENTS OF JAPANESE AS CHANGE IN POLICY. ACCORDINGLY, THE CABINET ON JUYLY 8 AUTHORIZED LIGHTENING TRIP TO JAPAN FOR THE THREE MINISTERS.

3. FURTH SAID MARCONA REPRESENTATIVES IN TOKYO REPORTED
CONFIDENTIAL

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PAGE 02 LIMA 05828 182308Z

TO MARCONA HEADQUARTERS AS OF JULY 15 THAT THE JAPANESE

HAD NOT AGREED TO DEAL BEHIND MARCONA'S BACK. FURTHER, JAPANESE ECONOMIC OFFICER HERE AND LOCAL VP OF MITSUBISHI BOTH TELL US THERE HAS BEEN NO CHANGE IN JAPANESE POLICY TOWARD MARCONA.

4. THE AMBASSADOR INFORMED FURTH THAT A LAWYER WHO SEES PRESIDENT VELASCO FREQUENTLY, TOLD HIM ON JULY 14 THAT "SIGNALS HAVE CHANGED" AND THAT THE MARCONA SITUATION HAS SOURED CONSIDERABLY DURING LAST TWO WEEKS. THIS CONFIDANT SAID THAT THE EMBASSY "SHOULD FORGET ALL THAT HAS GONE BEFORE IN MARCONA-GOP NEGOTIATIONS", AND MENTIONED THAT VELASCO WOULD REFUSE TO SEE ANY MARCONA REPRESENTATIVES. SIMILARLY, THE SECRETARY GENERAL OF THE FOREIGN MINISTRY, AMBASSADOR GARCIA BEDOYA, INFORMED THE AMBASSADOR THE SAME EVENING THAT IT IS IMPORTANT TO EXPLORE ALTERNATIVE APPROACHES TO THIS ISSUE, IMPLYING A CONFRONTATION IS BREWING BUT DID NOT ELABORATE.

5. THE PERUVIAN OFFICIAL GAZETTE PUBLISHED A SHORT COMMUNIQUE JULY 16 NOTING THAT FOREIGN MINISTER DE LA FLOR, MINES MINISTER FERNANDEZ MALDONADO, AND COMMERCE MINISTER ARIAS HAD FINISHED THEIR INTERVIEWS WITH THE JAPANESE IN TOKYO JULY 15. COMMUNIQUE MERELY MENTIONED THAT THE PERUVIANS HAD CONVERSATIONS WITH GOJ OFFICIALS AND BUSINESSMEN IN EFFORT TO ESTABLISH CLOSER FORMS OF ECONOMIC AND COMMERCIAL COOPERATION AND TO EXPLORE NEW MARKETS FOR PERUVIAN PRODUCTS. COMMUNIQUE ALSO NOTED THAT PERUVIANS MET WITH OFFICIALS OF KEIDANREN, N. NAGANO, AND EXECUTIVES OF NIPPON STEEL, MITSUBISHI, AND MARUBENI. UPON LEARNING OF THIS COMMUNIQUE, FURTH WAS OF THE OPINION THAT THE PERUVIANS HAD NOT SUCCEEDED IN OBTAINING JAPANESE AGREEMENT FOR ORE SHIPMENTS AND PURCHASES.

6. FURTH ALSO CONFIRMED POINTS IN PARA 2 AND 4 REF A RE MARCONA HISTORY AND SLURRY FOR NIPPON STEEL WHICH CAN ONLY BE CARRIED IN MARCONA'S SHIPS. SIMILARLY, HE NOTED THAT IF PERUVIANS WERE TO NATIONALIZE THE MINE WITHOUT PRIOR JAPANESE AGREEMENT, THEY WOULD BE OUT OF THE IRON ORE BUSINESS FOR AT LEAST A YEAR, SINCE NEITHER THE JAPANESE NOR U.S. AND EUROPEAN BUYERS OF PERUVIAN IRON ORE

CONFIDENTIAL

PAGE 03 LIMA 05828 182308Z

WOULD BE WILLING TO CONTINUE PURCHASES FROM THE NEW PERUVIAN ENTITY. HE PREDICTED THAT THE FOREIGN EXCHANGE LOSS TO PERU WOULD RUN TO \$100 MILLION.

7. COMMENT: ALL INDICATIONS POINT TO PROBABILITY THAT GOP, AND, IN PARTICULAR, PRESIDENT VELASCO, WOULD PREFER TO ANNOUNCE NATIONALIZATION OF MARCONA AS PART OF JULY 27-28 INDEPENDENCE DAY CELEBRATIONS IF AT ALL FEASIBLE (FURTH SAID

MINES MINISTRY OFFICIALS ARE DRAFTING DECREE LAW FOR
NATIONALIZATION WHICH MIGHT BE ANNOUNCED JULY 25-26
TO SET STAGE FOR GOP SPEECH). AS SOON AS WE LEARN
GOP RESPONSE TO FURTHER WE PLAN TO DISCUSS THIS ISSUE
WITH SENIOR GOP OFFICIALS POINTING OUT THE ADVANTAGES OF
REACHING AN AMICABLE SOLUTION. AS STATED IN LIMA 3623
(NOTAL), ECONOMIC CONSTRAINTS ON PERU'S SEIZING MARCONA
UNILATERALLY STILL APPLY, SINCE SUCH ACTION COULD LEAD
TO A RECONSIDERATION OF INTERNATIONAL FINANCIAL INSTITU-
TIONS'S POLICY TOWARD LENDING TO PERU, AS WELL AS TO A
POTENTIAL CONFRONTATION IN OUR BILATERAL RELATIONS.
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